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C E N T R A L I N T E L L I G E N C E A G E N C Y

1 March 1957

MEMORANDUM FOR THE DIRECTOR OF CENTRAL INTELLIGENCE

SUBJECT: The *situation* in Indonesia

THE SITUATION

1. President Sukarno, in an effort to overcome a rapidly deteriorating political and economic situation and to enhance his own prestige and power, is attempting to make major revisions in the nature and composition of the Indonesian government. Under Sukarno's plan, which has so far been formulated in general terms and remains to be worked out in detail, the role and influence of political parties and the parliament would be sharply curtailed. Sukarno would be chairman of a new advisory council, composed of representatives from non-party groups such as youth, veterans, labor, women, religious, and the military, which would take over a large share of policy decisions from the cabinet. A new cabinet would be formed to include representatives of all political parties holding seats in the parliament.

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2. The Communist Party of Indonesia (PKI), Indonesia's fourth largest party, is giving enthusiastic support to Sukarno. It has thrown the full force of its organizational and propaganda talents into the campaign, staging mass rallies, disrupting opposition meeting and plastering the capital with posters and handbills. If Sukarno's plan is implemented along the lines he now advocates, the Communists would be represented in the cabinet and stand an excellent chance of gaining multiple representation in the advisory council through their leadership or infiltration of non-party groups. They are exploiting the advantages of identifying themselves with Sukarno, who continues to be the leading symbol of Indonesian independence in the eyes of most Indonesians.

3. The non-Communist political parties have shown little enthusiasm for Sukarno's plan. All of them are apprehensive about reducing the power of the cabinet, although they would probably go along with the formation of a council with purely advisory functions. The Masjumi, and to a lesser extent the Nahdatul Ulama (NU), oppose inclusion of Communists in the cabinet. Although the Nationalist Party (PNI) is supporting Sukarno, important segments of it are doing so with considerable reluctance.

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4. The situation is further complicated by the continuing rebellion in Sumatra and by growing dissatisfaction in other non-Javanese areas of the country with economic and political domination by the central government. As Sukarno's plan now stands, it gives no promise of meeting the demands of the non-Javanese areas.

5. The army is divided on the issue of Sukarno's concept. Although most army leaders share Sukarno's dissatisfaction with government drift, inefficiency, and corruption, many are hostile towards the Communists and do not share Sukarno's willingness to bring them into the government. However, recent army reorganization programs and the transfer of a number of military commanders have probably increased the number of higher level officers, especially in Java, willing to support Sukarno in implementing his plan. Also, recent reports indicate that the Communists have had some success in infiltrating a number of military units and some important positions in the army in Java.

POSSIBLE DEVELOPMENTS

6. The immediate course of events is unclear. Perhaps the most likely short term outcome is an adjustment and compromise of conflicting positions. The advisory council might be given a purely advisory function,

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the role of the Communists might be reduced and limited to the council, and some means of temporarily accomodating regional interests may be found. However, unless some early progress is made in coping with Indonesia's basic economic and political problems a compromise solution in the traditional Indonesian manner is not likely to satisfy for long the growing pressures in Indonesia for a federal structure, the complaints of the army, nor Sukarno's impatience with parliamentary processes and party politics.

7. It is possible that the opposition leaders may be silenced by threats of arrest and acts of intimidation and that the plan may be implemented with a minimum of difficulty. In this event the position of the Communists would be greatly improved, and their influence in the government and their hold on Sukarno would be greatly increased.

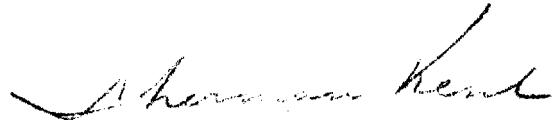
8. If the opposition remains firm, widespread violence may develop with the Communists and the anti-Communists taking advantage of the opportunity to settle old scores. If Sukarno should declare martial law to enforce his plan, most of the army units on Java would probably cooperate. However, Sukarno might find it difficult to control the army, once martial law is declared. Even if the Java commands were to give Sukarno full support, it is possible that the military and civil leaders in the outlying islands may take advantage of the situation to follow the example of Sumatra.

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9. The present situation in Indonesia, though it may for the time being be resolved by compromise and accommodation, offers excellent opportunities for the Communists to improve their position and has the potential of leading to civil war, an attempted coup d'etat, or political fragmentation of the Indonesian Republic.

FOR THE BOARD OF NATIONAL ESTIMATES:



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